



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m., December 17 2002. The following members were present:

Jody B. Olson  
Susan K. Simmons  
Pamela I. Ahrens  
J. Kirk Sullivan

Trustee Dennis L. Johnson was absent and excused. Trustee Ahrens joined the meeting by telephone. Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Financial Officer James Monroe, Chief Investment Officer Robert Maynard, and Management Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Rod MacKinnon  
Bruce Reeder  
Drew Black  
Brian McGrath  
Dennis Fitzpatrick  
Chris Growney  
Brent Nye  
Matt Freeman  
Charlie Brown  
Doug Dorn  
Dennis Doan  
Jim Coleman

Mountain Pacific Investment Advisors  
Mountain Pacific Investment Advisors  
DB Fitzpatrick & Co.  
DB Fitzpatrick & Co  
DB Fitzpatrick & Co  
Clearwater Advisors  
Boise School District  
LSO-BPA  
REAI  
R.V. Kuhns & Assoc.  
PFFI  
PERC Retired Teachers

Richelle Sugiyama  
John R. Doner

PERSI  
PERSI

## OLD BUSINESS

Approval of the Minutes: By motion duly made by Trustee Sullivan and seconded by Trustee Simmons, the Board unanimously approved the minutes of the November 26, 2002, regular meeting of the Retirement Board as submitted.

## PORTFOLIO

Monthly Portfolio Update Mr. Maynard discussed his investment report dated December 17, which he had updated from the one previously furnished to the Board. In the report, Mr. Maynard noted the following:

Since the last Board meeting, the fund stayed even. It appears that the large run-up in equities has peaked for the time being, and in the last week has fallen off a bit due to moderately pessimistic earnings expectations from some companies and less than exciting economic reports

All managers are either within their expected characteristics or have reasonable explanations for slight deviations. All managers are also performing as expected vs. their respective benchmarks.

The portfolio as a whole continues to exhibit its primarily defensive character that it developed late last year. This means that if the market turns around quickly, our relative performance will lag for a while. The recent rise in the US equity market was led by large cap growth stocks, which has meant that our US equity performance has suffered a bit.

Mr. Maynard's report stated the current value of the fund as of December 17, 2002 was \$6,034,602,788. The fiscal year-to-date return percentage is negative 4.5% and the month-to-date return was a negative 1.7%.

He reviewed the underlying asset allocation and discussed how rebalancing to that allocation is determined. His report to the Board provides data as to what would happen if various rebalancing strategies were followed.

Real estate investments are doing well. He has asked Paul Saylor to make a couple of recommendations in the coming year. PERSI's real estate portfolio has been ranked as one of the top performing real estate investments in the US, primarily due to our investments in REITS.

Stating that the TIPS bonds are providing marvelous returns, Mr. Maynard reiterated that the purpose of having these in the portfolio is for risk management. The fact that they have provided good returns is a bonus.

Over the long period, he expects them to underperform, but if inflation rises, they hold their value. Having them in the portfolio balances the total portfolio risk and allows us to be a little more aggressive with our equity investments. Mario Gianinni will be here in a couple of months to discuss private equity investments.

There will be no major rebalancing as we end the calendar year. The Clearwater account has outperformed Mellon STIF by about \$200,000, so we are pleased with that portfolio.

Responding to a question from the Chair, Mr. Maynard said markets continue in a recovery cycle reacting to consumer confidence. That confidence continues to fluctuate depending on corporate earnings reports and retail sales numbers.

Chairman Olson thanked Mr. Maynard and Ms. Sugiyama for their work with the Land Board during the past months. The Endowment Board had requested their assistance as they restructured and hired a CIO.

Manager Comments: The Chairman invited managers who were present to comment on the markets and the economy. Brian McGrath of D.B. Fitzpatrick & Co. stated that they are seeing more interest in office space leasing. Because mortgage rates remain low, apartment leasing lags.

After discussion of the local and national economy, Chairman Olson thanked those managers who attend the monthly meetings, saying their input is appreciated. Because there is a large agriculture segment in Idaho, Trustee Ahrens asked what the managers predicted for future commodity markets. Mr. Maynard said that the West Coast Dock Strike may have caused a short term rise in markets, but feels the over production of commodities will continue to keep prices low.

#### FISCAL:

Expense Reports: Financial Officer James Monroe told the Board that the Annual Report is at the printers and should be available by the end of the year. He reviewed the Administrative and Portfolio expense reports for the month ended November, 2002, which had previously been furnished to the Board. There were no unusual expenditures during the month.

## EXECUTIVE DIRECTOR

New Employer: By motion duly made by Trustee Sullivan, seconded by Trustee Simmons and unanimously approved, the Board welcomed Council Community Hospital District as a new PERSI employer effective November 1, 2002.

Status Update: Executive Director Winkle reviewed the summary of PERSI projects report that had previously been provided to the Board.

The PERSI presentation before JFAC is scheduled on January 29, 2003 from 9:10 to 9:45. Because we have a Maintenance of Current Operations budget, most of that time will be spent discussing the contribution rate increases and the reasoning behind them.

The Actuarial Review RFP will close December 20, 2002. A bidders conference was held last week to answer questions. We expect three or four proposals from actuarial firms. Chairman Olson asked whether our actuaries are proposing limiting their liability with clients. Mr. Winkle said it certainly is an issue in the current corporate climate, and with our auditors. Chairman Olson said he is not happy paying fees and then not having suppliers stand behind their product. This will be an issue as contracts are renewed and future fees are negotiated. Those companies are reassessing the amount they need for the liability they are taking.

The RFP for a survey of PERSI members closes December 20, 2002. We will hire a consultant and bring the survey back to the Board before it is actually sent to the members.

The February meeting will feature a review of the DC plan. Phil Sues from Mercer will attend and Mellon will also attend to provide custodial information. Mr. Winkle asked the Trustees to let him know of any other DC issues they would like covered at that time.

Trustee Ahrens asked whether the CEC plans to meet and make a presentation as they have in the past. Mr. Winkle said he understands they have postponed their meetings until after JFAC has a chance to review budgets. They are expected to meet in mid-February.

Holiday Greetings to PERSI Staff: Mr. Winkle reviewed the accomplishments of the year, noting that the number of disability applications has tripled and phone calls and member contacts have increased also. Even in this stock market climate, the PERSI Choice plan has experienced a 48% increase in the number of people making voluntary contributions to their 401(k) plans. Currently we have 5,200 people making contributions. Electronic data is being submitted by the majority of our employers. Because data is submitted each paydate rather than once a month, staff processes more than twice the information than before. However, with the electronic tools, 95% of these transmittals are processed within three days, getting the funds quickly invested.

PERSI employees again sponsored a Homeward Bound family for the Holiday. Over 100 gifts, mostly coats, boots, shoes and other items of warm clothing, were donated this year. Chairman Olson thanked the staff for their dedicated work and extended Holiday Greetings on behalf of the Board.

#### FUTURE BOARD MEETINGS

Tuesday, January 28, 2003 8:30 a.m., Boise - PERSI office

Tuesday, February 25, 2003, 8:30 a.m., Boise - PERSI office

Tuesday, March 18, 2003, 8:30 a.m., Boise - PERSI office

Tuesday, April 22, 2003, 8:30 a.m., Boise - PERSI office

Adjournment: There being no further business to conduct, the meeting was adjourned at 9:27 a.m.

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director